



10230 S. 50th Place
Phoenix, AZ 85044
Office: 602.296.3300
Fax: 602.296.3311

Writer's Direct No.
(888)-387-3481

March 12, 2002

Via Federal Express Mail

Mr. Rich Black
Senior Vice President
of Sales and Marketing
One Intermedia Way
Tampa, Florida 33647

Re: Unified Communications General Agreement, dated November 20, 2000, by and between EffectNet, Inc. (formerly EffectNet LLC) ("EffectNet") and Intermedia Communications, Inc. ("Intermedia") (the "Agreement")

Dear Mr. Black:

Pursuant to the terms of the referenced Agreement, Intermedia agreed to market the UC Services to Intermedia customers and end users, including wholesale and retail customers. Intermedia agreed to provide periodic forecasts of expected mailbox activations, the first of such forecasts to be provided on or before November 30, 2000. Intermedia also agreed to deliver a minimum number of current active subscribers on or before certain dates up to a minimum of 10,000 such subscribers on or before December 18, 2001 and at the end of each calendar month thereafter for the Term of the Agreement. Intermedia also agreed to pay the agreed pricing for activated mailboxes pursuant to the Agreement. Intermedia further agreed to pay all invoices within 15 calendar days of receipt. Intermedia also agreed to pay a Reconciliation Payment as of the Ramp Date and the end of each calendar month thereafter during the Term. On February 12, 2002, Intermedia received an invoice for the pricing applicable to subscribers and for the Reconciliation Payment with respect to the

PH 00605

A 02397

Mr. Rich Black
 Page 2 of 3
 March 12, 2002

month of December 2001 (including the Ramp Date) and the month of January 2002. Each of the forgoing obligations has not been fulfilled by Intermedia as required by the Agreement ("Intermedia Defaults") and each such obligation is a material obligation of Intermedia under the Agreement. The forgoing is not intended to be a full and complete statement of all material obligations under the Agreement that remain unfulfilled by Intermedia. Capitalized terms used in this letter without definition have the meaning assigned to such term in the Agreement.

EffectNet hereby gives Intermedia written notice of default under Section 5.2 of the Agreement with respect to the Intermedia Defaults and EffectNet further hereby gives Intermedia written notice that EffectNet may (i) terminate the Agreement under Section 5.2 due to default effective thirty (30) days after this written notice if each of the Intermedia Defaults has not been cured within such thirty (30) day period, and (ii) further exercise all available remedies pursuant to the terms of the Agreement and as otherwise may be available at law or in equity.

EffectNet hereby demands immediate payment, in accordance with the terms of the Agreement, of the amounts itemized below:

Total Amount Past Due on invoice 1010, dated February 6, 2002, and delivered to Intermedia on February 12, 2002 (for the December 2001 billing cycle):	\$274,021.05
---	--------------

Total Amount Past Due on invoice 1011, dated February 6, 2002, and delivered to Intermedia on February 12, 2002 (for the January 2002 billing cycle):	<u>\$274,066.20</u>
--	---------------------

Required Payment:	\$548,087.25
--------------------------	---------------------

The total amount past due is as of March 12, 2002. EffectNet gives notice that all amounts of interest will be charged on the amount due. Intermedia agrees to pay the amount of the invoice within the time specified in the invoice. The Required Payment should be made payable to EffectNet, 1221-1223, 1225, 1227, 1229, 1231, 1233, 1235, 1237, 1239, 1241, 1243, 1245, 1247, 1249, 1251, 1253, 1255, 1257, 1259, 1261, 1263, 1265, 1267, 1269, 1271, 1273, 1275, 1277, 1279, 1281, 1283, 1285, 1287, 1289, 1291, 1293, 1295, 1297, 1299, 1301, 1303, 1305, 1307, 1309, 1311, 1313, 1315, 1317, 1319, 1321, 1323, 1325, 1327, 1329, 1331, 1333, 1335, 1337, 1339, 1341, 1343, 1345, 1347, 1349, 1351, 1353, 1355, 1357, 1359, 1361, 1363, 1365, 1367, 1369, 1371, 1373, 1375, 1377, 1379, 1381, 1383, 1385, 1387, 1389, 1391, 1393, 1395, 1397, 1399, 1401, 1403, 1405, 1407, 1409, 1411, 1413, 1415, 1417, 1419, 1421, 1423, 1425, 1427, 1429, 1431, 1433, 1435, 1437, 1439, 1441, 1443, 1445, 1447, 1449, 1451, 1453, 1455, 1457, 1459, 1461, 1463, 1465, 1467, 1469, 1471, 1473, 1475, 1477, 1479, 1481, 1483, 1485, 1487, 1489, 1491, 1493, 1495, 1497, 1499, 1501, 1503, 1505, 1507, 1509, 1511, 1513, 1515, 1517, 1519, 1521, 1523, 1525, 1527, 1529, 1531, 1533, 1535, 1537, 1539, 1541, 1543, 1545, 1547, 1549, 1551, 1553, 1555, 1557, 1559, 1561, 1563, 1565, 1567, 1569, 1571, 1573, 1575, 1577, 1579, 1581, 1583, 1585, 1587, 1589, 1591, 1593, 1595, 1597, 1599, 1601, 1603, 1605, 1607, 1609, 1611, 1613, 1615, 1617, 1619, 1621, 1623, 1625, 1627, 1629, 1631, 1633, 1635, 1637, 1639, 1641, 1643, 1645, 1647, 1649, 1651, 1653, 1655, 1657, 1659, 1661, 1663, 1665, 1667, 1669, 1671, 1673, 1675, 1677, 1679, 1681, 1683, 1685, 1687, 1689, 1691, 1693, 1695, 1697, 1699, 1701, 1703, 1705, 1707, 1709, 1711, 1713, 1715, 1717, 1719, 1721, 1723, 1725, 1727, 1729, 1731, 1733, 1735, 1737, 1739, 1741, 1743, 1745, 1747, 1749, 1751, 1753, 1755, 1757, 1759, 1761, 1763, 1765, 1767, 1769, 1771, 1773, 1775, 1777, 1779, 1781, 1783, 1785, 1787, 1789, 1791, 1793, 1795, 1797, 1799, 1801, 1803, 1805, 1807, 1809, 1811, 1813, 1815, 1817, 1819, 1821, 1823, 1825, 1827, 1829, 1831, 1833, 1835, 1837, 1839, 1841, 1843, 1845, 1847, 1849, 1851, 1853, 1855, 1857, 1859, 1861, 1863, 1865, 1867, 1869, 1871, 1873, 1875, 1877, 1879, 1881, 1883, 1885, 1887, 1889, 1891, 1893, 1895, 1897, 1899, 1901, 1903, 1905, 1907, 1909, 1911, 1913, 1915, 1917, 1919, 1921, 1923, 1925, 1927, 1929, 1931, 1933, 1935, 1937, 1939, 1941, 1943, 1945, 1947, 1949, 1951, 1953, 1955, 1957, 1959, 1961, 1963, 1965, 1967, 1969, 1971, 1973, 1975, 1977, 1979, 1981, 1983, 1985, 1987, 1989, 1991, 1993, 1995, 1997, 1999, 2001, 2003, 2005, 2007, 2009, 2011, 2013, 2015, 2017, 2019, 2021, 2023, 2025, 2027, 2029, 2031, 2033, 2035, 2037, 2039, 2041, 2043, 2045, 2047, 2049, 2051, 2053, 2055, 2057, 2059, 2061, 2063, 2065, 2067, 2069, 2071, 2073, 2075, 2077, 2079, 2081, 2083, 2085, 2087, 2089, 2091, 2093, 2095, 2097, 2099, 2101, 2103, 2105, 2107, 2109, 2111, 2113, 2115, 2117, 2119, 2121, 2123, 2125, 2127, 2129, 2131, 2133, 2135, 2137, 2139, 2141, 2143, 2145, 2147, 2149, 2151, 2153, 2155, 2157, 2159, 2161, 2163, 2165, 2167, 2169, 2171, 2173, 2175, 2177, 2179, 2181, 2183, 2185, 2187, 2189, 2191, 2193, 2195, 2197, 2199, 2201, 2203, 2205, 2207, 2209, 2211, 2213, 2215, 2217, 2219, 2221, 2223, 2225, 2227, 2229, 2231, 2233, 2235, 2237, 2239, 2241, 2243, 2245, 2247, 2249, 2251, 2253, 2255, 2257, 2259, 2261, 2263, 2265, 2267, 2269, 2271, 2273, 2275, 2277, 2279, 2281, 2283, 2285, 2287, 2289, 2291, 2293, 2295, 2297, 2299, 2301, 2303, 2305, 2307, 2309, 2311, 2313, 2315, 2317, 2319, 2321, 2323, 2325, 2327, 2329, 2331, 2333, 2335, 2337, 2339, 2341, 2343, 2345, 2347, 2349, 2351, 2353, 2355, 2357, 2359, 2361, 2363, 2365, 2367, 2369, 2371, 2373, 2375, 2377, 2379, 2381, 2383, 2385, 2387, 2389, 2391, 2393, 2395, 2397, 2399, 2401, 2403, 2405, 2407, 2409, 2411, 2413, 2415, 2417, 2419, 2421, 2423, 2425, 2427, 2429, 2431, 2433, 2435, 2437, 2439, 2441, 2443, 2445, 2447, 2449, 2451, 2453, 2455, 2457, 2459, 2461, 2463, 2465, 2467, 2469, 2471, 2473, 2475, 2477, 2479, 2481, 2483, 2485, 2487, 2489, 2491, 2493, 2495, 2497, 2499, 2501, 2503, 2505, 2507, 2509, 2511, 2513, 2515, 2517, 2519, 2521, 2523, 2525, 2527, 2529, 2531, 2533, 2535, 2537, 2539, 2541, 2543, 2545, 2547, 2549, 2551, 2553, 2555, 2557, 2559, 2561, 2563, 2565, 2567, 2569, 2571, 2573, 2575, 2577, 2579, 2581, 2583, 2585, 2587, 2589, 2591, 2593, 2595, 2597, 2599, 2601, 2603, 2605, 2607, 2609, 2611, 2613, 2615, 2617, 2619, 2621, 2623, 2625, 2627, 2629, 2631, 2633, 2635, 2637, 2639, 2641, 2643, 2645, 2647, 2649, 2651, 2653, 2655, 2657, 2659, 2661, 2663, 2665, 2667, 2669, 2671, 2673, 2675, 2677, 2679, 2681, 2683, 2685, 2687, 2689, 2691, 2693, 2695, 2697, 2699, 2701, 2703, 2705, 2707, 2709, 2711, 2713, 2715, 2717, 2719, 2721, 2723, 2725, 2727, 2729, 2731, 2733, 2735, 2737, 2739, 2741, 2743, 2745, 2747, 2749, 2751, 2753, 2755, 2757, 2759, 2761, 2763, 2765, 2767, 2769, 2771, 2773, 2775, 2777, 2779, 2781, 2783, 2785, 2787, 2789, 2791, 2793, 2795, 2797, 2799, 2801, 2803, 2805, 2807, 2809, 2811, 2813, 2815, 2817, 2819, 2821, 2823, 2825, 2827, 2829, 2831, 2833, 2835, 2837, 2839, 2841, 2843, 2845, 2847, 2849, 2851, 2853, 2855, 2857, 2859, 2861, 2863, 2865, 2867, 2869, 2871, 2873, 2875, 2877, 2879, 2881, 2883, 2885, 2887, 2889, 2891, 2893, 2895, 2897, 2899, 2901, 2903, 2905, 2907, 2909, 2911, 2913, 2915, 2917, 2919, 2921, 2923, 2925, 2927, 2929, 2931, 2933, 2935, 2937, 2939, 2941, 2943, 2945, 2947, 2949, 2951, 2953, 2955, 2957, 2959, 2961, 2963, 2965, 2967, 2969, 2971, 2973, 2975, 2977, 2979, 2981, 2983, 2985, 2987, 2989, 2991, 2993, 2995, 2997, 2999, 3001, 3003, 3005, 3007, 3009, 3011, 3013, 3015, 3017, 3019, 3021, 3023, 3025, 3027, 3029, 3031, 3033, 3035, 3037, 3039, 3041, 3043, 3045, 3047, 3049, 3051, 3053, 3055, 3057, 3059, 3061, 3063, 3065, 3067, 3069, 3071, 3073, 3075, 3077, 3079, 3081, 3083, 3085, 3087, 3089, 3091, 3093, 3095, 3097, 3099, 3101, 3103, 3105, 3107, 3109, 3111, 3113, 3115, 3117, 3119, 3121, 3123, 3125, 3127, 3129, 3131, 3133, 3135, 3137, 3139, 3141, 3143, 3145, 3147, 3149, 3151, 3153, 3155, 3157, 3159, 3161, 3163, 3165, 3167, 3169, 3171, 3173, 3175, 3177, 3179, 3181, 3183, 3185, 3187, 3189, 3191, 3193, 3195, 3197, 3199, 3201, 3203, 3205, 3207, 3209, 3211, 3213, 3215, 3217, 3219, 3221, 3223, 3225, 3227, 3229, 3231, 3233, 3235, 3237, 3239, 3241, 3243, 3245, 3247, 3249, 3251, 3253, 3255, 3257, 3259, 3261, 3263, 3265, 3267, 3269, 3271, 3273, 3275, 3277, 3279, 3281, 3283, 3285, 3287, 3289, 3291, 3293, 3295, 3297, 3299, 3301, 3303, 3305, 3307, 3309, 3311, 3313, 3315, 3317, 3319, 3321, 3323, 3325, 3327, 3329, 3331, 3333, 3335, 3337, 3339, 3341, 3343, 3345, 3347, 3349, 3351, 3353, 3355, 3357, 3359, 3361, 3363, 3365, 3367, 3369, 3371, 3373, 3375, 3377, 3379, 3381, 3383, 3385, 3387, 3389, 3391, 3393, 3395, 3397, 3399, 3401, 3403, 3405, 3407, 3409, 3411, 3413, 3415, 3417, 3419, 3421, 3423, 3425, 3427, 3429, 3431, 3433, 3435, 3437, 3439, 3441, 3443, 3445, 3447, 3449, 3451, 3453, 3455, 3457, 3459, 3461, 3463, 3465, 3467, 3469, 3471, 3473, 3475, 3477, 3479, 3481, 3483, 3485, 3487, 3489, 3491, 3493, 3495, 3497, 3499, 3501, 3503, 3505, 3507, 3509, 3511, 3513, 3515, 3517, 3519, 3521, 3523, 3525, 3527, 3529, 3531, 3533, 3535, 3537, 3539, 3541, 3543, 3545, 3547, 3549, 3551, 3553, 3555, 3557, 3559, 3561, 3563, 3565, 3567, 3569, 3571, 3573, 3575, 3577, 3579, 3581, 3583, 3585, 3587, 3589, 3591, 3593, 3595, 3597, 3599, 3601, 3603, 3605, 3607, 3609, 3611, 3613, 3615, 3617, 3619, 3621, 3623, 3625, 3627, 3629, 3631, 3633, 3635, 3637, 3639, 3641, 3643, 3645, 3647, 3649, 3651, 3653, 3655, 3657, 3659, 3661, 3663, 3665, 3667, 3669, 3671, 3673, 3675, 3677, 3679, 3681, 3683, 3685, 3687, 3689, 3691, 3693, 3695, 3697, 3699, 3701, 3703, 3705, 3707, 3709, 3711, 3713, 3715, 3717, 3719, 3721, 3723, 3725, 3727, 3729, 3731, 3733, 3735, 3737, 3739, 3741, 3743, 3745, 3747, 3749, 3751, 3753, 3755, 3757, 3759, 3761, 3763, 3765, 3767, 3769, 3771, 3773, 3775, 3777, 3779, 3781, 3783, 3785, 3787, 3789, 3791, 3793, 3795, 3797, 3799, 3801, 3803, 3805, 3807, 3809, 3811, 3813, 3815, 3817, 3819, 3821, 3823, 3825, 3827, 3829, 3831, 3833, 3835, 3837, 3839, 3841, 3843, 3845, 3847, 3849, 3851, 3853, 3855, 3857, 3859, 3861, 3863, 3865, 3867, 3869, 3871, 3873, 3875, 3877, 3879, 3881, 3883, 3885, 3887, 3889, 3891, 3893, 3895, 3897, 3899, 3901, 3903, 3905, 3907, 3909, 3911, 3913, 3915, 3917, 3919, 3921, 3923, 3925, 3927, 3929, 3931, 3933, 3935, 3937, 3939, 3941, 3943, 3945, 3947, 3949, 3951, 3953, 3955, 3957, 3959, 3961, 3963, 3965, 3967, 3969, 3971, 3973, 3975, 3977, 3979, 3981, 3983, 3985, 3987, 3989, 3991, 3993, 3995, 3997, 3999, 4001, 4003, 4005, 4007, 4009, 4011, 4013, 4015, 4017, 4019, 4021, 4023, 4025, 4027, 4029, 4031, 4033, 4035, 4037, 4039, 4041, 4043, 4045, 4047, 4049, 4051, 4053, 4055, 4057, 4059, 4061, 4063, 4065, 4067, 4069, 4071, 4073, 4075, 4077, 4079, 4081, 4083, 4085, 4087, 4089, 4091, 4093, 4095, 4097, 4099, 4101, 4103, 4105, 4107, 4109, 4111, 4113, 4115, 4117, 4119, 4121, 4123, 4125, 4127, 4129, 4131, 4133, 4135, 4137, 4139, 4141, 4143, 4145, 4147, 4149, 4151, 4153, 4155, 4157, 4159, 4161, 4163, 4165, 4167, 4169, 4171, 4173, 4175, 4177, 4179, 4181, 4183, 4185, 4187, 4189, 4191, 4193, 4195, 4197, 4199, 4201, 4203, 4205, 4207, 4209, 4211, 4213, 4215, 4217, 4219, 4221, 4223, 4225, 4227, 4229, 4231, 4233, 4235, 4237, 4239, 4241, 4243, 4245, 4247, 4249, 4251, 4253, 4255, 4257, 4259, 4261, 4263, 4265, 4267, 4269, 4271, 4273, 4275, 4277, 4279, 4281, 4283, 4285, 4287, 4289, 4291, 4293, 4295, 4297, 4299, 4301, 4303, 4305, 4307, 4309, 4311, 4313, 4315, 4317, 4319, 4321, 4323, 4325, 4327, 4329, 4331, 4333, 4335, 4337, 4339, 4341, 4343, 4345, 4347, 4349, 4351, 4353, 4355, 4357, 4359, 4361, 4363, 4365, 4367, 4369, 4371, 4373, 4375, 4377, 4379, 4381, 4383, 4385, 4387, 4389, 4391, 4393, 4395, 4397, 4399, 4401, 4403, 4405, 4407, 4409, 4411, 4413, 4415, 4417, 4419, 4421, 4423, 4425, 4427, 4429, 4431, 4433, 4435, 4437, 4439, 4441, 4443, 4445, 4447, 4449, 4451, 4453, 4455, 4457, 4459, 4461, 4463, 4465, 4467, 4469, 4471, 4473, 4475, 4477, 4479, 4481, 4483, 4485, 4487, 4489, 4491, 4493, 4495, 4497, 4499, 4501, 4503, 4505, 4507, 4509, 4511, 4513, 4515, 4517, 4519, 4521, 4523, 4525, 4527, 4529, 4531, 4533, 4535, 4537, 4539, 4541, 4543, 4545, 4547, 4549, 4551, 4553, 4555, 4557, 4559, 4561, 4563, 4565, 4567, 4569, 4571, 4573, 4575, 4577, 4579, 4581, 4583, 4585, 4587, 4589, 4591, 4593, 4595, 4597, 4599, 4601, 4603, 4605, 4607, 4609, 4611, 4613, 4615, 4617, 4619, 4621, 4623, 4625, 4627, 4629, 4631, 4633, 4635, 4637, 4639, 4641, 4643, 4645, 4647, 4649, 4651, 4653, 4655, 4657, 4659, 4661, 4663, 4665, 4667, 4669, 4671, 4673, 4675, 4677, 4679, 4681, 4683, 4685, 4687, 4689, 4691, 4693, 4695, 4697, 4699, 4701, 4703, 4705, 4707, 4709, 4711, 4713, 4715, 4717, 4719, 4721, 4723, 4725, 4727, 4729, 4731, 4733, 4735, 4737, 4739, 4741, 4743, 4745, 4747, 4749, 4751, 4753, 4755, 4757, 4759, 4761, 4763, 4765, 4767, 4769, 4771, 4773, 4775, 4777, 4779, 4781, 4783, 4785, 4787, 4789, 4791, 4793, 4795, 4797, 4799, 4801, 4803, 4805, 4807, 4809, 4811, 4813, 4815, 4817, 4819, 4821, 4823, 4825, 4827, 4829, 4831, 4833, 4835, 4837, 4839, 4841, 4843, 4845, 4847, 4849, 4851, 4853, 4855, 4857, 4859, 4861, 4863, 4865, 4867, 4869, 4871, 4873, 4875, 4877, 4879, 4881, 4883, 4885, 4887, 4889, 4891, 4893, 4895, 4897, 4899, 4901, 4903, 4905, 4907, 4909, 4911, 4913, 4915, 4917, 4919, 4921, 4923, 4925, 4927, 4929, 4931, 4933, 4935, 4937, 4939, 4941, 4943, 4945, 4947, 4949, 4951, 4953, 4955, 4957, 4959, 4961, 4963, 4965, 4967, 4969, 4971, 4973, 4975, 4977, 4979, 4981, 4983, 4985, 4987, 4989, 4991, 4993, 4995, 4997, 4999, 5001, 5003, 5005, 5007, 5009, 5011, 5013, 5015, 5017, 5019, 5021, 5023, 5025, 5027, 5029

Mr. Rich Black
Page 3 of 3
March 12, 2002

Intermedia should also take notice of the Due Date of invoice #1018, dated March 5, 2002, in the amount of \$279,757.02 and delivered to Intermedia on March 6, 2002. Payment of this amount is due on or before March 21, 2002.

If Intermedia fails to cure the Intermedia Defaults and if EffectNet terminates the Agreement as aforesaid, EffectNet may claim damages for all amounts due pursuant to the Agreement, including, without limitation, the following:

Required Payment	\$ 548,087.25
Invoice # 1018	\$ 279,757.02
Reconciliation Payments for the unexpired Term	\$5,662,667.58
Forfeiture of Deposit	\$ 175,000.00

Nothing in this letter is intended to be a waiver or release of any rights or remedies, or an election thereof, that EffectNet has under the Agreement or applicable law, and all such rights and remedies are hereby expressly reserved in their entirety.

Very truly yours,

Robert C. McConnell
General Counsel

PH 00607

A 02399

EXHIBIT S



One Parkway North
Fourth Floor North
Deerfield, Illinois 60015
Office: 888.444.6400

Writer's Direct No.
(888)-387-3481

March 25, 2002

Via Federal Express Mail

Mr. Brett Bacon
MCI/WorldCom
1945 Old Gallows Road
Vienna, Virginia 22182

Re: Unified Communications General Agreement, dated November 20, 2000, by and between EffectNet, Inc. (formerly EffectNet LLC) ("EffectNet") and Intermedia Communications, Inc. ("Intermedia") (the "Agreement")

Dear Mr. Bacon:

EffectNet, by letter to the attention of Mr. Rich Black, dated March 12, 2002, issued a written notice of default under Section 5.2 of the Agreement with respect to the Intermedia Defaults, as defined in the March 12 letter (the "**March 12 Letter**"). I understand from you that Mr. Black referred the March 12 letter to your attention upon receipt. As you know, the Agreement in Section 5.2 provides that "[t]ermination due to default under this Section shall be effective thirty (30) days after written notice to the defaulting Party if the default has not been cured within such thirty (30) day period." Accordingly, the Agreement will be terminated for default by Intermedia on or about April 12, 2002 if the Intermedia Defaults are not cured prior thereto.

I spoke with you on or about March 13 and you indicated that Intermedia and/or its affiliates were interested in pursuing immediate settlement discussions. I also understand that you spoke with Mr. Jim Calandra, Chief Financial Officer of EffectNet on March 18 and that you told Mr. Calandra that Mr. Barry Zip would

PH 00608

A 02401

Mr. Brett Bacon
 Page 2 of 3
 March 25, 2002

be handling settlement discussions. Further, I understand that you told Mr. Calandra that you would provide Mr. Zip with contact information of Mr. Calandra. On March 20, Mr. Calandra exchanged voice messages with you whereby Mr. Calandra inquired of Mr. Zip and the lack of communication from him and you responded by giving Mr. Calandra, for the first time, contact information for Mr. Zip. Mr. Calandra called Mr. Zip the same day, March 20, and left a voice message for Mr. Zip requesting that Mr. Zip return the call. Neither Mr. Calandra nor anyone else has since received any communications from Intermedia or its affiliates regarding this matter. As you might imagine, EffectNet is becoming increasingly concerned that Intermedia and/or its affiliates fail to understand the gravity of this matter and the urgency with which it must be addressed.

Intermedia should also take notice of the Due Date of invoice #1018, dated March 5, 2002, in the amount of \$279,757.02 and delivered to Intermedia on March 6, 2002. Payment of this amount was due on or before March 21, 2002. EffectNet has not received this past due payment (the "February Payment Default").

Accordingly, EffectNet hereby gives Intermedia written notice of default under Section 5.2 of the Agreement with respect to the February Payment Default and EffectNet further hereby gives Intermedia written notice that EffectNet may (i) terminate the Agreement under Section 5.2 due to default effective thirty (30) days after this written notice (if the Agreement is not sooner terminated pursuant to the March 12 Letter) if the February Payment Default has not been cured within such thirty (30) day period, and (ii) further exercise all available remedies pursuant to the terms of the Agreement and as otherwise may be available at law or in equity.

EffectNet hereby demands immediate payment, in accordance with the terms of the Agreement, of the amounts itemized below:

Total Amount Past Due on invoice 1010, dated February 6, 2002, and delivered to Intermedia on February 12, 2002 (for the December 2001 billing cycle):	\$274,021.05
---	--------------

Total Amount Past Due on invoice 1011, dated February 6, 2002, and delivered to Intermedia on February 12, 2002 (for the January 2002 billing cycle):	\$274,066.20
--	--------------

PH 00609

A 02402

Mr. Brett Bacon
Page 3 of 3
March 25, 2002

Total Amount Past Due on invoice #1018,
dated March 5, 2002, and delivered to
Intermedia on March 6, 2002
(for the February 2002 billing cycle):

\$279,757.02

Required Payment:

\$827,844.27

THE INFORMATION CONTAINED HEREIN IS UNCLASSIFIED, EXCEPT WHERE SHOWN OTHERWISE, AND IS BEING RELEASED TO THE PUBLIC IN INTEREST OF TRANSPARENCY. IF YOU HAVE ANY INFORMATION REGARDING THIS DOCUMENT, PLEASE CONTACT THE NATIONAL ARCHIVES AT 1-800-826-4000.

If Intermedia fails to cure the Intermedia Defaults and the February Payment Default and if the Agreement is terminated as aforesaid, EffectNet may claim damages for all amounts due pursuant to the Agreement.

Nothing in this letter is intended to be a waiver or release of any rights or remedies, or an election thereof, that EffectNet has under the Agreement or applicable law, and all such rights and remedies are hereby expressly reserved in their entirety.

Very truly yours,

Robert C. McConnell
General Counsel

CC: Mr. Rich Black

PH 00610

A 02403

EXHIBIT T

COPY

Webley Systems, Inc.

\$35,000,000

Series C Convertible Preferred Stock



Confidential Private Placement Memorandum

SALOMON SMITH BARNEY
A member of citigroup

CONFIDENTIAL PH 00424

A 02405

Confidential Private Placement Memorandum**Webley Systems, Inc.****TABLE OF CONTENTS**

	Page
Executive Summary	5
Key Investment Highlights	11
Summary of Terms	14
Industry Overview	16
Business	19
Recent Transactions	35
Management and Directors	37
Summary of Principal Shareholders	40
Description of Capital Stock	41
Risk Factors	44
Management's Discussion and Analysis of Historical Financial Conditions and Results of Operations	49
Appendices:	
Unaudited and Audited Financial Statements	55
Financial Assumptions and Projections	81
Features of Unified Messaging Solutions	91

It is the intention of Salomon Smith Barney and Webley Systems, Inc. ("Webley Systems", "Webley", or the "Company") to conduct this financing so that it minimizes any disruption of the Company's operations and employees. All inquiries or communications including any requests for additional information should be directed to one of the following individuals at Salomon Smith Barney. In no event should the management or employees of the Company be contacted.

SALOMON SMITH BARNEY <small>A member of citigroup</small>	
West Coast Technology Group	Private Equity Group
1001 Page Mill Road Building 4, Suite 100 Palo Alto, CA 94304 Nina Roberts <i>Director</i> (650) 496-3277 christina.roberts@ssmb.com Kevin Moore <i>Associate</i> (650) 496-3213 kevin.s.moore@ssmb.com Jennifer Isidro <i>Analyst</i> (650) 496-3474 jennifer.isidro@ssmb.com	388 Greenwich Street 33rd Floor New York, NY 10013 Jane Bieneman <i>Vice President</i> (212) 816-7327 jane.a.bieneman@ssmb.com Mark Olexy <i>Associate</i> (212) 816-3413 mark.olexy@ssmb.com Michael Barrish <i>Associate</i> (212) 816-9848 michael.barrish@ssmb.com

CONFIDENTIAL PH 00425

Confidential Private Placement Memorandum

Webley Systems, Inc.

This Page Intentionally Left Blank

CONFIDENTIAL PH 00426

A 02407

Confidential Private Placement Memorandum

Webley Systems, Inc.

Book No. W- 69

\$35,000,000

Series C Convertible Preferred Stock



Webley Systems, Inc.

This Confidential Private Placement Memorandum (the "Memorandum") has been prepared by Webley Systems, Inc. ("Webley Systems", "Webley", or the "Company") with the assistance of Salomon Smith Barney ("Salomon") for use by a limited number of accredited investors to whom Webley Systems is offering Series C Convertible Preferred Stock (the "Securities"). Salomon has been engaged by Webley Systems to act as its agent for the private placement of the Securities being offered hereby (the "Offering").

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR UNDER ANY STATE SECURITIES LAWS, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE REGULATORY AUTHORITY PASSED UPON THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM OR ENDORSED THE TERMS OR MERITS OF THIS OFFERING. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THE SECURITIES ARE OFFERED TO A LIMITED NUMBER OF PROSPECTIVE INVESTORS THAT ARE INSTITUTIONAL "ACCREDITED INVESTORS" AS THAT TERM IS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT, EXCLUDING, HOWEVER, ANY SELF-DIRECTED EMPLOYEE BENEFIT PLAN WITH INVESTMENT DECISIONS MADE SOLELY BY PERSONS THAT ARE "ACCREDITED INVESTORS" AS DEFINED IN RULE 501 (A)(5)-(6), PURSUANT TO EXEMPTIONS PROVIDED BY THE ACT AND CERTAIN STATE SECURITIES LAWS AND CERTAIN RULES AND REGULATIONS PROMULGATED PURSUANT THERETO OR AN OFFER AND SALE OF SECURITIES WHICH DOES NOT INVOLVE A PUBLIC OFFERING. THE SECURITIES MAY NOT BE OFFERED, SOLD, TRANSFERRED OR OTHERWISE TRANSFERRED, ASSIGNED, PLEDGED, HYPOTHECATED, OR DISPOSED OF IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT OR UNDER APPLICABLE STATE SECURITIES LAWS OR AN OPINION OF COUNSEL, SATISFACTORY TO THE COMPANY, THAT AN EXEMPTION FROM REGISTRATION IS AVAILABLE. IN ADDITION, TRANSFERS MAY BE MADE ONLY IN ACCORDANCE WITH THE TERMS OF CERTAIN AGREEMENTS WITH WEBLEY SYSTEMS AND THE TERMS OF THE SECURITIES.

This Memorandum constitutes an offer only to the offeree to whom this Memorandum is initially provided and does not constitute an offer to sell or a solicitation of an offer to purchase from anyone in any state or other jurisdiction in which such an offer or solicitation is not authorized and does not constitute an offer to sell or a solicitation of an offer to purchase from anyone to whom such an offer is not authorized or otherwise would be unlawful. Neither the Company nor Salomon is making any representation to an offeree or a purchaser of the securities regarding the legality of an investment therein by such offeree or purchaser under appropriate securities or similar laws.

Salomon Smith Barney

i

CONFIDENTIAL PH 00427

A 02408

Confidential Private Placement Memorandum

Webley Systems, Inc.

The Securities involve a high degree of risk. (See "Risk Factors")

The offer and sale of the Securities has not been registered under the Act or any state securities laws, in reliance upon exemptions from registration provided by Section 4(2) of the Act and Regulation D promulgated thereunder and similar exemptions from registration provided by certain state and non-United States securities laws. The Securities are offered in the United States only to accredited investors who have qualifications necessary to permit the Securities to be offered and sold in reliance upon such exemptions.

The Securities are subject to restrictions on transfer and resale and may not be transferred or resold except as permitted under the Act and applicable State securities laws, pursuant to a registration or exemption therefrom. Purchasers should be aware that they might be required to bear the financial risk of their investment for an indefinite period of time. The Company reserves the right, in its sole discretion and for any reason whatsoever, to modify, amend and/or withdraw all or any portion of this Offering and/or accept or reject in whole or in part any prospective investment in the Securities or to allot to any prospective purchaser less than the amount of Securities such purchaser desires to purchase. The Company shall have no liability whatsoever to any offeree and/or purchaser in the event that any of the foregoing shall occur.

In making an investment decision, investors must rely upon their own examination of the Company and the terms of the Offering, including the merits and risks involved. Prospective investors should carefully consider all of the information contained in this Memorandum. In view of the significant risks and restrictions on transfer and resale, an investment in the Securities offered hereby should be considered only by persons who can bear the economic risk of their investment for an indefinite period of time and can afford a total loss of their investment.

This Memorandum is based on information furnished by Webley Systems. Webley Systems and Salomon expressly disclaim any and all liability for the contents of or omissions from this Memorandum and for any other written or oral communications transmitted or made available to prospective purchasers of the Securities.

Certain of the information contained herein concerning economic trends and performance is based upon or derived from information provided by third-party consultants and other industry sources. The Company cannot guarantee the accuracy of such information and has not independently verified the assumptions upon which projections of future trends and performance are based. In addition, this Memorandum includes certain statements provided by the Company with respect to the Company's historical and anticipated performance. Estimates of future performance reflect various assumptions made by the Company that may or may not prove accurate, as well as the exercise of a substantial degree of judgment by Company management as to the scope and presentation of such information. No representations or warranties are made as to the accuracy of such statements or estimates of anticipated performance. Actual results achieved during projection periods may differ substantially from those projected.

Prospective investors are not to construe the contents of this Memorandum, or any prior or subsequent communications from or with the Company or other professionals associated with the Offering, as legal, tax or business advice. Each prospective investor should consult its own attorney and business advisor as to the legal, business, and tax and related matters concerning this investment. Prospective investors are urged to request any additional information they may consider necessary in making an informed investment decision.

Except as described herein, no person has been authorized to make any representation or give any information with respect to the Securities offered hereby, except the information contained herein. Prospective investors should not rely on information other than that contained in this Memorandum. Neither the delivery of this Memorandum at any time nor any sale made thereunder shall, under any circumstance, imply that information contained herein has not changed at any time subsequent to the date hereof. Webley Systems and Salomon undertake no obligations to provide prospective purchasers with access to additional information or to update, supplement or correct any information. This Memorandum shall not be deemed to represent an indication of the state of affairs of Webley Systems, nor should it constitute an indication that there has been no change in the business or affairs of Webley Systems since the Offering.

Salomon Smith Barney

ii

CONFIDENTIAL PH 00428

A 02409

Confidential Private Placement Memorandum**Webley Systems, Inc.**

This Memorandum has been prepared solely for the benefit of investors interested in the private placement of the Securities described herein. Any reproduction or distribution of this Memorandum, in whole or in part, or the disclosure of its contents for any other purpose than an evaluation by such offeree of an investment in Securities, is prohibited.

The offeree agrees to return this Memorandum and all such other material to Salomon Smith Barney at 388 Greenwich Street, New York, NY 10013 if the offeree subscription is not accepted or this Offering is terminated or withdrawn.

This Memorandum contains summaries of the Securities and of certain documents, agreements and opinions relating to this Offering. Reference is hereby made to the actual documents for complete information concerning the rights and obligations of the parties thereto. All such summaries are qualified in their entirety by this reference. Copies of the documents, agreements and opinions referred to in this Memorandum are available from the Company.

Each prospective investor is hereby offered the opportunity, prior to purchasing any Securities offered hereby, to ask questions of, and receive answers from, the Company concerning the terms and conditions of the Offering and to obtain additional relevant information, to the extent the Company possesses such information or can acquire it without unreasonable effort or expense. However, all such additional information must be in writing and identified as such by the Company. Inquiries concerning such additional information should be directed to Jane Bieneman of Salomon Smith Barney at (212) 816-7327 or Mark Olexy of Salomon Smith Barney at (212) 816-3413.

The Securities may not be sold nor any offers to purchase be accepted prior to the delivery to prospective investors of certain underlying agreements and documents, including, among others, a proposed stock purchase agreement reflecting the definitive terms and conditions of this Offering. The full text of such agreements and documents should be reviewed prior to purchase.

Notice to Non-U.S. residents. It is the responsibility of any persons desiring to purchase the Securities to satisfy themselves as to the full observance of the laws of any relevant territory outside the U.S. in connection with any such purchase, including obtaining any required governmental or other consents or observing any other applicable formalities.

Cautionary Notice Regarding Forward-Looking Statements

This Memorandum contains statements that constitute "forward-looking statements." These forward-looking statements can be identified by the use of predictive future-tense or forward-looking terminology, such as "believes", "anticipates", "expects", "estimates", "may", "will" or similar terms. These statements appear in a number of places in this Memorandum and include statements regarding the intent, belief, or current expectations of the Company, its managers or its officers with respect to, among other things: (i) trends affecting the Company's financial condition or results of operations, (ii) the Company's business or growth strategies, (iii) the communications industry, and (iv) the Company's financing plans. You are cautioned that any such forward-looking statements are not guarantees of future performance and involve significant risks and uncertainties, and that actual results may differ materially from those projected in the forward-looking statements as a result of various factors. Factors that could adversely affect actual results and performance include, among others, the evolving business model of the Company, rapid technological change and competition. The accompanying information contained in this Private Placement Memorandum, including, without limitation, the information set forth under the heading "Risk Factors" and "Business" identifies important additional factors that could materially adversely affect actual results and performance. You are urged to carefully consider such factors. All forward-looking statements attributable to the Company are expressly qualified in their entirety by the foregoing cautionary statement.

Salomon Smith Barney

iii

CONFIDENTIAL PH 00429

A 02410

Confidential Private Placement Memorandum

Webley Systems, Inc.

This Page Intentionally Left Blank

Salomon Smith Barney
iv

CONFIDENTIAL PH 00430

A 02411

Confidential Private Placement Memorandum**Webley Systems, Inc.****EXECUTIVE SUMMARY**

The following summary is qualified in its entirety by the more detailed information and the financial statements appearing elsewhere in this Memorandum. See "Risk Factors" for a discussion of certain factors to be considered by prospective investors.

Company Overview

Webley Systems, Inc. is a leading provider of speech-enabled Unified Communications products and offers an advanced virtual assistant service through a proprietary, carrier-grade solution. Unified Communications combines non real-time unified messaging (email, voicemail, fax) with real-time voice provisioning and control. Webley's products deliver users a superior communications and messaging tool with one of the most complete set of features among any of the Unified Communications solutions currently available. Webley's technology differentiates itself by integrating Internet and telephony-based communications onto a single speech-enabled platform that can be provisioned to a user's existing telephone number. Additionally, the Company has a next generation platform that is architected purely on SIP (Session Initiation Protocol) and VoiceXML in the final stage of development, which represents a considerable technology advance beyond comparable products available in the market. In an IP-based network environment, Webley will have the ability through this platform to be the "always on" dial tone that provisions service on the primary line. Users of Webley's Unified Communications platform will be able to simply pick up the telephone and respond to Webley's request "What would you like to do?"TM.

Webley's advanced virtual personal communications service allows Unified Communications systems to manage a user's inbound and outbound calling, messaging, conferencing and paging requirements. The Company's feature rich products can page, find, follow or not disturb a user, and accept and deliver all of a user's messages via voicemail, email, fax and pager over the phone or on the Web using the user's local number or personal 800-number. In addition, the user is able to manage his or her communications functions through a secure companion website. Using stored contact data and speech recognition technology, Webley allows the user to call, page or email any one of 2,000 contacts by speaking only the contact name. Webley can also deliver voicemail via streaming audio (MP3) anywhere on the Internet with virtually no delays and allow users to listen to, reply to and send email over the phone. Webley employs advanced speech-enabled technology to control all communications functions and to voice browse the Internet, send audio email and receive a variety of audio or text notifications and alerts from individually tailored information sources.

Webley's target market is large and early adoption is expected to occur first among users where there are substantial economic advantages such as power users (business people, information workers and customer-facing staff) and business travelers. Productivity gains and added personal convenience are expected to motivate later adoption with markets such as small businesses and residential segments. The Company's Unified Communications products are sold to communications service providers (carriers) and large enterprise customers, as well as to small businesses and residential consumers. Webley markets its products under its own brand name as well as on a private label basis. Webley's private label marketing efforts are focused on providing turnkey solutions to strategic distribution partnerships including IXC's, ILEC's, CLEC's, wireless service providers and IP-based convergent service telecom companies as well as to large enterprise customers.

Webley's direct marketing efforts target the enterprise and end-users in the SOHO and residential markets as well as certain targeted vertical market segments. The pending acquisition of EffectNet, Inc. ("EffectNet"), a third party ASP provider of Webley products under the CommuniKateTM brand name as well as private label offerings, will, when completed, give Webley greater control over its marketing efforts and will substantially increase Webley's enterprise presence and capabilities. Additionally, Webley is currently using the direct-to-subscriber channel in certain mass consumer markets, such as Chicago, as well as selected vertical marketplaces such as Webley M.D. and the Company's next vertical market product offerings, Webley Esquire and Webley Realtor.

 Salomon Smith Barney
CONFIDENTIAL PH 00431

Confidential Private Placement Memorandum

Webley Systems, Inc.

Ease-of-use is the leading user requirement for Unified Communications products. Webley believes that it has the industry's most effective and user-friendly Unified Communications system available today. One of Webley's key competitive advantages is its superior application of market leading natural speech recognition and text-to-speech technology that allows users to easily access Webley features using simple voice commands through any communications device. Using advanced natural speech recognition, virtual assistant services are accessed via telephone and enable users to retrieve, sort, prioritize and reply to any message type at any time from anywhere. Webley's technology currently provides for over 200 core features or commands that, when coupled with the utility of the natural speech interface, become over 1,000 dynamic feature sets. Presently, the providers of Webley's speech recognition software have the capability to offer approximately 20 languages. Such an extensive feature set allows Webley to quickly and economically add, modify or limit feature sets to meet broad-based user demand or the customized needs of particular user groups such as targeted vertical markets.

The Company believes its products are unique in supporting either integrated or separate message stores to manage users' various messaging requirements, as well as core next generation networking and programming standards such as SIP (Session Initiation Protocol) and VoiceXML. In an IP-phone-based environment, Webley can become the "always on" dial tone and actually provision the primary line connection. For example, when the user picks up the phone, the user will hear "What would you like to do?"TM instead of the usual dial tone. Through VoiceXML, a markup language for voice applications based on eXtensible Markup Language (XML), Webley provides advanced voice access to Web content and services and offers customers a voice portal on a private label or branded basis. Additionally, Webley's pending acquisition of BuzMe.com, Inc. ("BuzMe.com") will, when completed, provide Webley with an advanced Busy/No Answer Call Forwarding ("BNACF") technology. This technology will enable Webley to provision its service on a customer's existing phone number. This capability powerfully differentiates Webley by enabling the Company to offer its services to customers without the need for a new or additional line, thereby allowing users to keep their current phone numbers. Currently, the residential telephone line is an important line of demarcation, as these lines cannot be ported to another carrier and most CLECs will not provide service to the home. This technology should increase the ease of implementation for carriers' target SOHO and residential customers.

Market Opportunity

Widespread telecommunications deregulation has resulted in increased competition and downward pricing pressure and has led to the commoditization of conventional services. At the same time, individuals are becoming increasingly challenged to manage the communication demands placed on them as they carry multiple access devices with more advanced needs. Because of the very significant capital expenditure requirements to upgrade their networks, communications service providers are seeking new revenue streams to increase network usage and profitability. Both incumbent and competitive service providers are looking to offer enhanced services and products to their consumer and enterprise customers in order to offset rapidly declining revenues in their core voice and data connectivity businesses. Unified Communications, as a software-based product, also provides fast time-to-market with low up-front capital costs and a quick return on investment for these service providers. In addition to these carrier drivers of Unified Communications, the proliferation of pagers, cell phones, PDAs and Web devices, and the currently separate addressing requirements of each, is making managing the information flow increasingly difficult and complex for users of communications services. In response to the proliferation of communications platforms and devices, the demand for Unified Communications services and products has grown significantly. Many service providers view Unified Communications as an excellent strategic and near term economic vehicle to offer users who are managing an increasingly complex communications and messaging environment.

The market for Unified Communications is still a nascent one, with fewer than 2 million users in the United States in 1999. International Data Corporation ("IDC") predicts the total number of U.S. subscribers for Unified Communications will reach 28.4 million by 2004, increasing at a compound annual growth rate of 71.4% and generating in excess of \$5.7 billion in retail service revenue for business and consumer end users. This number

Salomon Smith Barney

CONFIDENTIAL PH 00432

Confidential Private Placement Memorandum**Webley Systems, Inc.**

does not include revenue derived from wholesale sales, hosting and enterprise solutions deployed for in-house systems. These figures provide projections for revenue generated only from flat-rate monthly recurring charges for service subscriptions.

The Unified Communications market is strategically positioned at the point of convergence among three high growth communications markets: messaging, telephony and the Internet. There are many providers at varying product levels with strategies that currently offer some type of "unified messaging". These consist of legacy offerings like traditional mailbox and voicemail services up to intermediate products that offer simple unified messaging functionality such as "Find Me, Follow Me" capability for voice messages, fax forwarding or Internet notification. In contrast to unified messaging, which offers only the integration of non real-time communications (email, fax, voicemail), Unified Communications integrates non real-time features with real-time communications functionality such as connectivity, voice control and switching, and speech recognition, among others.

True carrier-grade Unified Communications offers the full range of functionality: input and output by the user which is neutral to voice or data in terms of control and content, multiple carrier network capability, an integrated message store and provisioning to the primary line. Current offerings do not integrate "real-time" telephony provisioning, speech recognition or voice portal capability, which provide speech-enabled access from any type of access device to the various types of communications services.

Management and Directors

Webley Systems has assembled a strong management team, possessing significant collective experience in both technology and communications.

Name	Title	Previous Experience
Patricia Mathis	Chief Executive Officer and Director	Mathis & Associates
Robert C. McConnell	Chief Financial Officer and General Counsel	Capital Management and Development Corp., Cranston Securities
Alex Kurganov	Chief Technology Officer	Vail Systems, Dytel, Motorola, Interactive UNIX Corporation, Ardis
Susan Kelley	SVP Sales and Distribution	Time Warner Cable, Sprint, McCaw Cellular, Nextel
Hal Poel	SVP Marketing and Product Strategies	Time Warner Cable, Braun, Sprint, Carter Group
Gary Kalanj	SVP Technology and Product Development	Motorola

In addition to Patricia Mathis, current Directors include:

Name	Title	Experience
Michael M. Connors	Chairman	AOL Technologies, America Online
Patricia M. Cloherty	Director	Patricof & Co.
Thomas H. Lister	Director	Forstmann Little & Co., Morgan Stanley
Clifford M. Sobel	Director	Net2Phone, SJJ Investment Corp.
James Whitely	Director	Vail Systems
R. Scot Thomas	Director	Experian Direct Tech
Eugene Levy	Director	Patricof & Co.

Salomon Smith Barney

CONFIDENTIAL PH 00433

Confidential Private Placement Memorandum**Webley Systems, Inc.****Recent Developments**

Webley has recently executed definitive agreements for two potential acquisitions - EffectNet, Inc. and BuzMe.com, Inc. (See "Recent Transactions")

EffectNet is an ASP offering the Webley product to enterprises and various organizations under a General Agreement between EffectNet and Webley. EffectNet, through its license to use the Webley product, offers it to the public under the brand name CommuniKate™, as well as on a private label basis. EffectNet also operates an ISP/email hosting service with company-owned POPs (Points of Presence) in Vancouver and Hawaii. The strategic rationale for the EffectNet acquisition is greater direct customer revenue control and an integrated technology/revenue model to better serve and expand the Webley and EffectNet customer bases. EffectNet will bring a substantial customer and revenue pipeline to the combined Company. EffectNet currently employs approximately 115 people and is located in Phoenix, AZ. The definitive agreement with EffectNet was executed on March 22, 2001 and consideration consists of preferred and common stock and approximately \$1 million of cash.

BuzMe.com possesses an advanced Busy/No Answer Call Forwarding ("BNACF") technology that is currently offered to the public through its website. The BNACF technology allows users of the service to screen and forward calls while online. Additionally, the BNACF technology will, when acquired by Webley, allow Webley to provision its service on customers' existing phone numbers. This capability will powerfully differentiate Webley by enabling the Company to offer its services to customers without the need for a new or additional phone line. BuzMe.com has approximately 11 employees, as well as 25 independent contractors under consulting contracts. BuzMe.com is located in Palo Alto, CA. The definitive agreement was executed on March 16, 2001 and consideration consists of all stock.

Investment History

The Company has completed two rounds of equity financing and one debt financing. In July 1998, Webley closed a \$6 million Series A Preferred Stock offering with Patricof & Co. Ventures. In August 1999, the Company completed a \$16.5 million Series B first closing with Forstmann Little & Co. and CSK Ventures, Inc. and also converted April 1999 bridge notes in the amount of \$1.9 million. The Series B second closing occurred in April 2000 with a \$16 million funding principally from America Online, Inc. and Net2Phone, Inc.

Use of Proceeds

Webley Systems is seeking to raise \$35 million from the sale of Series C Convertible Preferred Stock. The Company intends to use the proceeds from the Offering to: (i) further expand the sales and marketing effort of the Company, (ii) expand and enhance its product and service offerings, and (iii) provide working capital for general corporate purposes, including expenses related to the pending acquisitions of EffectNet, Inc. and BuzMe.com, Inc.

 Salomon Smith Barney
CONFIDENTIAL PH 00434

Confidential Private Placement Memorandum

Webley Systems, Inc.

Summary Statement of Operations Data

(Dollars in thousands)

	Historical Year Ended December 31,			Projected Year Ended December 31,		
	1998 (Audited)	1999 (Audited)	2000 (Unaudited)	2001E	2002E	2003E
Revenue:						
Subscriber fee revenue	\$ 120	\$ 758	\$ 1,114	\$ 25,760	\$ 128,306	\$ 301,160
Usage fee revenue	-	-	-	14,030	83,987	168,429
Other revenue	-	-	-	311	4,816	21,306
Total revenue	120	758	1,114	40,100	217,110	490,895
Cost of revenue	184	938	1,397	14,919	69,993	176,343
Gross profit	(64)	(180)	(284)	25,181	147,117	314,552
Gross margin	NM	NM	NM	63%	68%	64%
Operating expenses:						
Sales and marketing	2,319	2,154	4,473	9,611	26,365	59,026
General and administrative	1,763	3,024	6,349	18,216	42,395	92,442
Research and development	458	2,199	4,871	7,104	11,375	16,616
Stock-based compensation	457	5,053	4,095	5,511	4,265	1,263
Depreciation and amortization	307	542	948	19,883	25,977	35,732
Total operating expenses	5,304	12,971	20,736	60,324	110,378	205,079
Operating (loss) profit	(5,368)	(13,151)	(21,020)	(35,143)	36,738	109,473
Operating margin	NM	NM	NM	NM	17%	22%
Interest and other income	53	255	770	573	974	2,246
Interest expense	(109)	(526)	(1)	-	-	-
Pretax (loss) income	(5,423)	(13,422)	(20,251)	(34,570)	37,712	111,719
Provision for income taxes	-	-	-	-	10,462	52,179
Net (loss) income	\$ (5,423)	\$ (13,422)	\$ (20,251)	\$ (34,570)	\$ 27,251	\$ 59,540
Net income margin	NM	NM	NM	NM	13%	12%
Accrued convertible preferred stock dividends	(128)	(656)	(1,818)	(4,136)	(5,136)	(5,136)
Net (loss) income applicable to common stockholders	\$ (5,551)	\$ (14,078)	\$ (22,070)	\$ (38,706)	\$ 22,115	\$ 54,404
EBITDA	(4,603)	(7,557)	(15,977)	(9,750)	66,981	146,468
EBITDA margin	NM	NM	NM	NM	31%	30%

Source: Company

Note: Historical 1998 and 1999 audited and 2000 unaudited data includes only Webley financial results. Projected financials for 2001, 2002, and 2003 are presented pro forma for the acquisitions of EffectNet and BuzMe.com as of January 1, 2001. Additionally, the projections assume a June 30, 2001 closing on the proposed Series C financing, net of fees and expenses.

Salomon Smith Barney

CONFIDENTIAL PH 00435

Confidential Private Placement Memorandum**Webley Systems, Inc.****Pro Forma Capitalization**

The following table sets forth capitalization of the Company as of December 31, 2000 on an actual and pro forma basis:

(Dollars in thousands)

	As of December 31, 2000	
	Actual (Unaudited)	Pro Forma ⁽¹⁾
Cash and cash equivalents	\$ 7,783	\$ 39,833
Total long term liabilities	\$ -	\$ -
Stockholders' equity:		
Series A convertible preferred stock, \$.001 par value; shares authorized, issued and outstanding 1997 to 2000, zero; 94,423; 94,580; 94,580, respectively	0	0
Series B convertible preferred stock, \$.001 par value; shares authorized, issued and outstanding 1997 to 2000, zero; zero; 94,580; 176,507, respectively	0	0
Series C convertible preferred stock ___ % convertible, authorized, issued and outstanding ___ shares	-	-
Series D convertible preferred stock, \$.001 par value; shares authorized, issued and outstanding 1997 to 2000, zero; zero; zero; 52,350, respectively	-	0
Series E convertible preferred stock, \$.001 par value; shares authorized, issued and outstanding 1997 to 2000, zero; zero; zero; ___, respectively	-	-
Common stock, \$.001 par value; 1,000,000 shares authorized, shares issued and outstanding 1997 to 2000, 100,200; 140,597; 143,739; 144,109, respectively	0	0
Additional paid-in capital	64,910	96,960
Deferred compensation	(11,395)	(11,395)
Accumulated deficit during development stage	(43,070)	(43,070)
Total shareholders' equity	10,445	42,495
Total capitalization	\$ 10,445	\$ 42,495

(1) Pro forma to reflect the \$35 million offering of Series C convertible preferred stock less fees and expenses related to the Offering, and the issuance of Series D and Series E convertible preferred stock for the pending acquisitions of BuzzMe.com and EffectNet, respectively.

Salomon Smith Barney

10

CONFIDENTIAL PH 00436

A 02417

Confidential Private Placement Memorandum**Webley Systems, Inc.****KEY INVESTMENT HIGHLIGHTS****Superior Technology and Differentiated Product Offering**

Webley is a leading speech-enabled Unified Communications provider delivering carrier-grade products that truly integrate non real-time unified messaging (email, voicemail, fax) with real-time voice provisioning and control. Webley's proprietary, speech-enabled applications integrate Internet and telephony-based communications on a feature-rich and scalable communications platform. The Company's products distinguish themselves by supporting integrated or separate message stores and core next generation standards such as SIP (Session Initiation Protocol) and VoiceXML (Voice eXtensible Markup Language). With an IP-based environment supporting SIP, Webley can become the "always on" dial tone. VoiceXML will allow Webley to provide advanced voice access to Web content and services. The pending acquisition of BuzMe.com will, when completed, provide Webley with an advanced Busy/No Answer Call Forwarding ("BNACF") technology, which enables Webley to provision its services to users' current phone numbers, which increases the ease of implementing Webley's product as well as widens the Company's market opportunity to SOHO and residential users. Webley believes its technology, which involves a multi-year engineering effort and extensive field implementation experience, is superior and represents a significant barrier to entry.

Ease of Use

One of Webley's key competitive advantages is the meaningful and practical application of market leading speech recognition and TTS (text-to-speech) technology. The Company believes that, in the future, a speech interface and voice control will be core components of provisioning the majority of telephony and communications applications. As a result, Webley has embedded speech recognition technology and voice functionality throughout its platform. This allows users, through any communications interface or device, to utilize intuitive natural speech commands when using Webley products. The Company believes that ease-of-use is a leading user requirement for the successful adoption of Unified Communications products, and envisions an environment where any user may pick up any IP device, including IP phones, and respond to Webley's request "What would you like to do?"TM. Webley has successfully positioned itself as one of the industry's simplest and most effective systems available today.

Cost Effective Software-Based Unified Communications Solution

Webley's platform is an open system well suited for the consumer and enterprise market as well as the carrier market. Webley's products can be rolled out to new customers or implemented on customers' existing platforms and devices without significant customization and without the need for new or additional equipment purchases. As a software solution, Webley's technology offers significant advantages over premises-based, hardware solutions. Centrally maintained and supported, software solutions are kept on the leading edge of technology developments through a service bureau model. Unlike alternative solutions, software solutions offer opportunities for economic and effective customization with faster time-to-market and no upfront hardware costs for either the end user or the service provider. Additionally, by operating from a central location, the Webley communications platform is highly scalable and efficiently maintained. Webley can also sell to carriers its platform for on-premises installation and maintenance, if preferred.

 Salomon Smith Barney

II

CONFIDENTIAL PH 00437**A 02418**

Confidential Private Placement Memorandum**Webley Systems, Inc.****Large Market Opportunity for Unified Communications**

Webley is positioned at the early stages of a large market opportunity driven by a desire for the simplification of communications services as well as demand from three high growth markets: messaging, telephony and the Internet. The Ovum Research Group forecasts a \$2.0 billion market for Unified Communications in the United States by 2002 and a \$11.5 billion market by 2005. International Data Corporation ("IDC") which views Unified Communications as superior to unified messaging due to real-time functionality and the added comprehensive services provided by Unified Communications, predicts the total number of U.S. subscribers for Unified Communications will reach 28.4 million by 2004, increasing at a compound annual growth rate of 71.4% over the forecast period and generating in excess of \$5.7 billion in retail service revenue from businesses and consumers.

Quality Customers and Strong Pipeline

Positioned as a leader in an early stage industry with huge growth potential and enormous market opportunity, Webley is poised for tremendous growth opportunities. Additionally, with the pending acquisition of EffectNet, Webley will be able to expand its current customer base. Webley's Unified Communications services are wide ranging and the Company has established relationships with such carriers as WorldCom, AT&T, Intermedia, QuantumShift and telQuest Technologies. Other major relationships include Quixtar (Amway), Univance, Primerica and HQ Global Workplaces. In addition, there are active discussions with a wide range of potential customers for Webley's products.

Significant Barriers to Entry

Management believes that Webley is the only company that has the breadth and integration required to deliver a fully featured Unified Communications service product. Webley's competitors offer subsets of its product features but Webley believes none can integrate comparable functionality into one system. Webley's leadership position is based on the continued evolution of (1) its leading natural speech recognition interface, and (2) its superior systems expertise. Webley's feature platform was designed from the beginning with speech recognition capabilities. A speech recognition interface is the critical element to make services easy to use and thus drive mass market acceptance of enhanced voice services. Because of Webley's length of experience and first-mover advantage in the area of speech recognition technology, the Company can integrate any or all of the leading speech recognition engines and offer an intuitive and easy-to-use user interface. Webley believes that it will be the first major provider to integrate a voice portal with a Unified Communications platform. This will allow users to access their contact and personalized information using real-time VoiceXML script capabilities as well as access many sources of voice portal content and services. Likewise, Webley's integration expertise is a critical source of competitive advantage for Webley in the service provider market. The Company is able to quickly adapt and implement its interfaces and support systems to the potential partner's operating environment, thereby offering a superior competitive offering and reducing barriers to adoption by the end users.

Superior Product Support and Customer Service

Webley's products offer the most complete set of features among all currently available Unified Communications solutions. Webley's technology currently provides for over 200 core features or commands that, when coupled with the utility of the natural speech interface, become over 1,000 dynamic feature sets integrated into a single product. The Company's expertise in product support and customer service allows Webley to quickly and economically add or modify features to meet broad-based user demand and the customized needs of particular groups. Webley's personnel span a variety of disciplines required to execute complex systems integration: telephony and Internet protocols as well as customer support and billing procedures. This provides its customers with the flexibility to obtain turnkey product offerings and permits Webley to offer unique versions of its service to individuals, corporate or group users and specialized users.

 Salomon Smith Barney
CONFIDENTIAL PH 00438

Confidential Private Placement Memorandum

Webley Systems, Inc.

Experienced Management Team

Webley benefits from an experienced management team which collectively has over 100 years of experience in the telecommunications and electronics industries, including relevant experience in new product development, marketing, sales, operations and all aspects of customer fulfillment and care. Senior management, which has worked together for over three years, has prior experience at such companies as Sprint, Motorola, Time Warner Cable, and McCaw Cellular. CEO Patricia Mathis founded the Washington-based consulting group – the Mathis Group – and is recognized as a leading specialist in the telecommunications and electronics industries. Clients of the Mathis Group included AT&T, British Telecom, MCI and Sprint. CTO Alex Kurganov has spent more than 20 years as a software system architect and developer at Dytel Corporation, Motorola, Interactive UNIX Corporation, Ardis and most recently served as CTO of Vail Systems. CFO Bob McConnell has operational experience as the President and COO of Capital Management and Development Corporation, a major restaurant and hotel hospitality real estate company as well as significant financial experience as both an officer of Cranston Securities, an investment bank and as a tax partner at Alexander Grant & Company, a national CPA firm.

Salomon Smith Barney

13

CONFIDENTIAL PH 00439

A 02420

Confidential Private Placement Memorandum**Webley Systems, Inc.****SUMMARY OF TERMS**

- Issuer:** Webley Systems, Inc. (the "Company")
- Issue:** Series C Convertible Preferred Stock (the "Series C Preferred Stock" or the "Offering")
- Principal Amount:** U.S. \$35 million
- Price Per Share:** U.S. \$__ per share (the "Price Per Share")
- Use of Proceeds:** The Company's planned use of net proceeds is to: (i) further expand the sales and marketing effort of the Company, (ii) expand and enhance its product and service offerings, and (iii) provide working capital for general corporate purposes, including expenses related to the pending acquisitions of EffectNet, Inc. and BuzMe.com, Inc.
- Dividends:** The holders of Series C Preferred Stock shall have the right to receive cumulative, quarterly dividends at the rate of 5% of the Price Per Share per annum, in cash or in kind.
- Ranking:** The Series C Preferred Shares will, with respect to rights upon a liquidation, rank senior to all classes of common stock (the "Common Stock") and the Series D Preferred Stock to be issued upon closing of the pending acquisition of BuzMe.com, Inc. (the "Series D Preferred Stock") and pari passu with all existing classes of preferred stock, the Series E Preferred Stock to be issued upon closing of the pending acquisition of EffectNet, Inc. (the "Series E Preferred Stock") and any other future classes of preferred stock (collectively, "Preferred Stock") in all respects.
- Conversion:** The Series C Preferred Stock shall be convertible, at any time after six months following the closing of this Offering, at the option of the holder, into one share of Common Stock for each share of Series C Preferred Stock, subject to the anti-dilution provisions below; provided, that in the event that (i) the Company receives a written request for conversion from the holders of a majority of the Series C Preferred Stock or (ii) the Company completes an initial public offering of its Common Stock with gross proceeds to the Company of at least \$15,000,000 at a per share offering price of at least three times the Price Per Share (a "Qualifying Public Offering"), the Series C Preferred Stock shall automatically convert into shares of Common Stock on the terms outlined above.
- Liquidation Preference:** In the event of any liquidation of the Company, the holders of the Series C Preferred Stock shall be entitled to receive, pari passu with the Series A, B and E Preferred Stock and in preference to the holders of the Common Stock and the Series D Preferred Stock, an amount equal to the Price Per Share plus any accrued or declared but unpaid dividends. For the purposes of this provision, a liquidation shall include the disposition of substantially all of the assets of the Company, whether by sale, merger or other reorganization.
- Voting Rights:** The holders of the shares of the Series C Preferred Stock shall be entitled to a number of votes per share equal to the number of shares of Common Stock into which each share of Series C Preferred Stock is convertible (which shall initially be one vote per share), and shall have the right to vote on all matters submitted to a vote of the holders of Common Stock for all purposes.
- Except as otherwise provided herein or by law, holders of the shares of Preferred Stock and holders of shares of Common Stock shall vote together as one class on all matters submitted to shareholder vote of the Company.

Salomon Smith Barney

14

CONFIDENTIAL PH 00440**A 02421**